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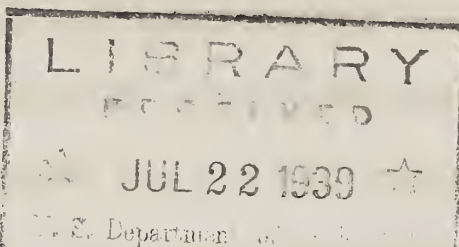
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THE DEMAND AND PRICE SITUATION

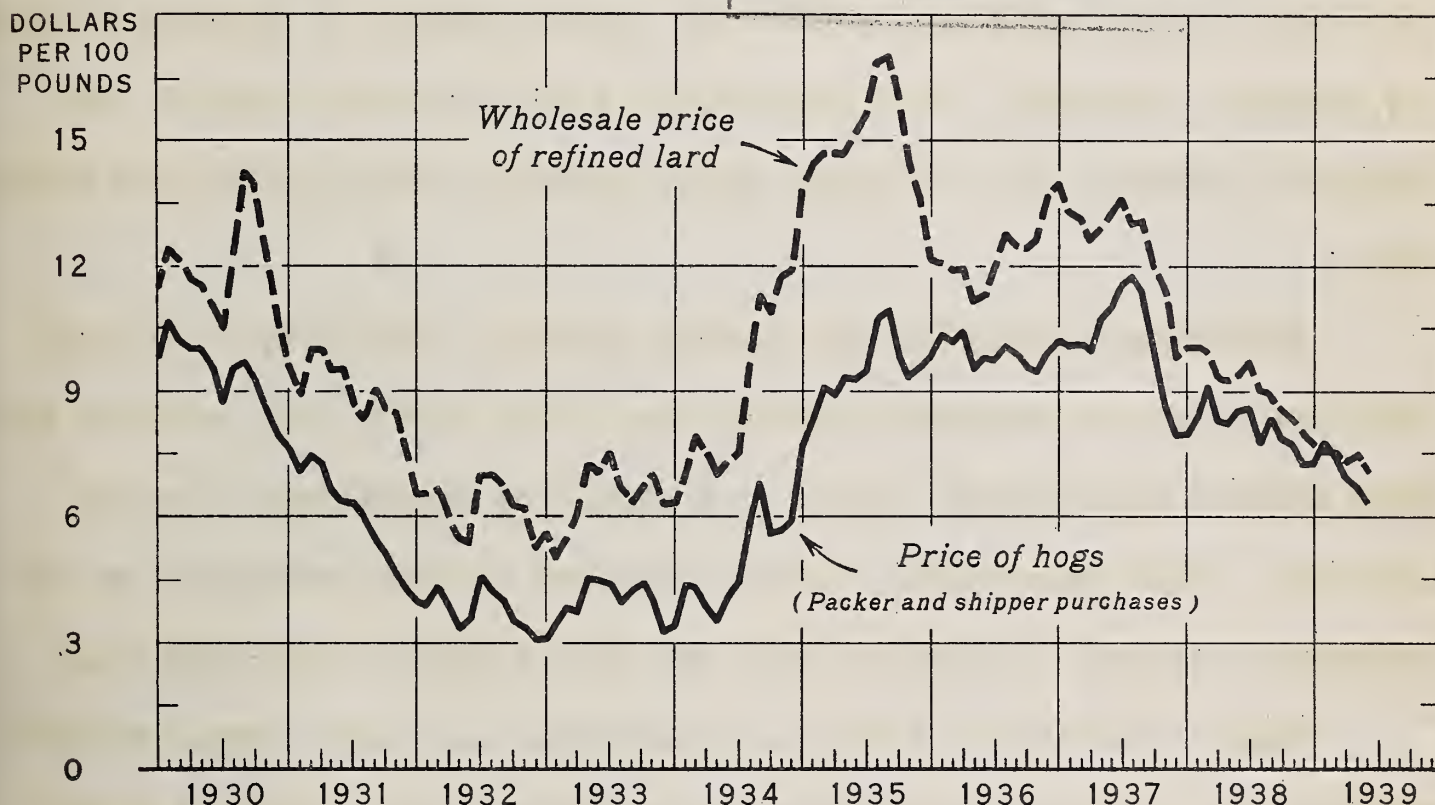
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

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PRICES OF HOGS AND LARD AT CHICAGO, 1930-39



U. S. DEPARTMENT OF AGRICULTURE

NEG. 35505 BUREAU OF AGRICULTURAL ECONOMICS

SINCE EARLY 1938, THE PRICE OF LARD HAS DECLINED MUCH MORE THAN THE PRICE OF HOGS. THUS FAR IN 1939 THE PRICE OF REFINED LARD HAS BEEN BUT LITTLE HIGHER THAN THE PRICE OF HOGS, WHILE IN THE TEN YEARS 1928-37 IT AVERAGED ABOUT \$3 PER 100 POUNDS HIGHER. THE EFFECTS OF THE INCREASE IN HOG PRODUCTION ON LARD PROBABLY WILL BE MUCH MORE SERIOUS THAN ON PORK. ALTHOUGH PORK PRODUCTION IN 1940 IS EXPECTED TO BE CONSIDERABLY LARGER THAN IN 1939, THE PER CAPITA SUPPLY OF PORK PROBABLY WILL BE LITTLE DIFFERENT FROM THE PER CAPITA CONSUMPTION DURING THE DECADE BEFORE THE 1934 DROUGHT. BUT THE PER CAPITA SUPPLY OF LARD WILL BE MUCH GREATER THAN THE PER CAPITA CONSUMPTION IN THE PRE-DROUGHT YEARS. IN THE YEARS BEFORE 1934 FROM 25 TO 30 PERCENT OF OUR LARD OUTPUT WAS EXPORTED, BUT EXPORTS HAVE BEEN RELATIVELY SMALL IN THE PAST 4 YEARS AND PROSPECTS FOR A MATERIAL EXPANSION IN EXPORTS NEXT YEAR ARE UNFAVORABLE.

SUMMARY

Some improvement during late May and June in general economic conditions affecting the consumer demand for farm products is reported by the Bureau of Agricultural Economics in the current issue of its Demand and Price Situation. The Bureau says: Industrial production has recovered sharply from the low reached in April and early May. Some additional improvement during the remainder of the year is indicated by conditions in the important industries. These changes in business activity and consumer purchasing power probably will not be great, however, and prospects continue for relatively stable domestic demand conditions during 1939.

Industrial production and general economic conditions in foreign countries which are important markets for United States farm products have shown further improvement, mainly as a result of expenditures for war materials. This improvement, however, has not yet been reflected in any important increase in foreign demand for United States farm products.

Despite the improved business conditions in recent weeks, definite evidence of a general strengthening of commodity prices still is lacking, although the decline which has been in evidence since March appears to have been halted.

The ratio of prices received to prices paid by farmers in June also was 74 percent of the pre-war level, 1 point below the May ratio. This reflects a slight decline in prices received and slightly higher prices paid by farmers for commodities.

Farmers' income from marketings declined more than seasonally from May to June, and was below the level of June 1938. However, with at least

stable demand for farm products in prospect, and with marketings of wheat, cotton and tobacco expected to increase more than seasonally from the unusually low levels of recent months, income from marketings in the next few months should make at least the usual seasonal increase.

The Bureau summarizes the situation by commodities as follows:

Prices of spot cotton in domestic markets during the past month remained at approximately the highest levels reached in nearly 2 years, influenced by relatively small "free" domestic stocks and prospects for an export subsidy. Spot prices of American cotton are apparently discounting at least partly the prospective export subsidy, with prices at Liverpool only a few points above domestic prices.

Domestic wheat prices in 1939-40 are expected to be supported, relative to world prices, by smaller domestic wheat supplies, a higher Federal loan rate, and a continuation of the export-aid program. World wheat supplies are expected to be increased With prospects for an 88 percent increase in domestic flaxseed production, flaxseed prices have declined since the beginning of the year in relation to foreign prices, and imports of flaxseed have been materially reduced.

Smaller production and possibly slightly larger total supplies of feed grains are in prospect for 1939-40, accompanied by relatively high oats prices compared with those of corn and barley, and possibly a continuation of the corn-loan program into 1939-40.

After declining to the lowest level in about 5 years in mid-June, hog prices rose moderately in late June and early July as marketings were seasonally reduced. The large increase in the 1939 spring pig crop and the prospective increase in the fall pig crop indicates that supplies of hogs in the 1939-40 marketing year, beginning October 1, will be materially larger than in 1938-39.

Prices of cattle were steady to higher in late June and early July, after a marked decline from April through mid-June. Supplies of grain-fed cattle are likely to be somewhat larger than last year during the remainder of 1939, but marketings of cows and heifers probably will continue smaller than a year earlier.

Prices of lambs thus far in the new crop season, which began May 1, have averaged \$1.00 to \$2.00 higher than a year earlier, as a result of smaller slaughter supplies and a stronger consumer demand for meats Prices of wool in the United States were about steady in June and early July after rising moderately in May. Prospects are for a fairly high level of domestic mill consumption of wool in the next few months.

Consumption of butter recently has been relatively high compared with production. Stocks of butter are large but they are much more nearly normal than earlier in the year. Stocks held by governmental agencies have been greatly reduced, and on July 1 were large enough to provide for relief distribution at the current rate for about 3 months.

Lower prices of chickens and eggs this year than last reflect chiefly larger seasonal marketings and larger storage stocks of these products. Market supplies, especially of poultry, are expected to continue larger than last year during the remainder of 1939.

The Bureau says that "although the situation for a number of commodities remains unsatisfactory, and no great changes can be looked for in the immediate future, the outlook has been brightened at least slightly by the recent improvement in general economic conditions."

DOMESTIC DEMAND

Conditions affecting the consumer demand for farm products picked up during the past month. Some additional improvement is indicated, but changes probably will not be great, and economic conditions are expected to continue relatively stable during the last half of the year.

Industrial production, which had risen late in May following termination of the bituminous coal strike and a lowering of steel prices, rose somewhat further. Consumer incomes also increased. The Federal Reserve index of industrial production, which stood at 92 in both April and May, recovered in June to somewhere near the February-March level of 98. It reached 104 last December. Extension of the advance is expected, but not at the June rate, and perhaps after a pause.

The June rise in industrial production was due largely to an expanded rate of coal and steel output and to maintenance of auto production at about the May rate against the usual season downtrend. Little if any additional stimulus is expected from coal and automobiles in the immediate future, although prospective earlier introduction of new automobile models will give support to industrial output in the late summer and early fall. Steel mill operations will probably hold up at least seasonally during the summer. The recently expanded rate in steel is due in part to specifications against commitments placed when steel prices were cut in May, and in part to a rebound from curtailment in some plants incident to the April-May strike of bituminous coal miners. Demand for steel from the automobile, railway, and farm machinery industries has been very light recently. Auto manufacturers should soon be taking large tonnages for use in their 1940 models. Although data bearing on this point are very incomplete, they suggest that in recent months industrial production in general has been below consumption, with some decline in inventories occurring.

The stimulating effects of these developments may be offset in part at least by more than usual summer curtailment in cotton textiles. Cotton print cloth manufacturers have agreed to cut production 25 percent for the 3 months July to September, in an attempt to reduce heavy inventories. June orders for all types of cotton goods were 57 percent above output, indicating a better situation for cotton textiles other than print cloth.

Another factor which remains adverse to sharp industrial expansion is the failure of stock prices to recover more than a small portion of the losses suffered earlier this year. Dull and reactionary markets tend to create increasing caution among business men, make the raising of new capital less urgent and more difficult, and cause some consumers to postpone purchases of durable goods such as automobiles and houses.

Construction activity will also be no better than a stabilizing influence on business during the summer months. Contracts awarded have receded considerably, after allowance for seasonal variation, from the November-December 1938 peak so that work actually under way is probably no longer increasing.

Should the latest business-stimulating program, submitted to Congress on June 22, be enacted in its major aspects the decline in the Federal Government's contribution to community expenditures which was expected early in 1940 would be prevented. The effect of the new self-liquidating program would be to hold the net business-stimulating contribution of the Federal Government around \$300,000,000 per month - about the same as the average of the past 12 months.

Although there may be a pause in the near future, the net result of these conditions should be a further increase in industrial production and consumer demand for farm products during the last half of 1939. There are apparently enough offsetting influences, however, to prevent any very sharp rise. Relatively stable conditions into 1940 continue to be in prospect.

FOREIGN DEMAND

The demand for United States agricultural products in most of the principal foreign countries where they are marketed appears likely to improve during the next few months, largely as a result of progressively expanding foreign Government-financed production of war materials. The outlook for the longer period, however, is still quite uncertain.

Industrial production in the United Kingdom is at or near a record high level. Employment appears to be greater than ever before in history. It is practically complete in the motor and scientific-instrument industries. Steel output is at an all-time high. The textile industry has continued to improve. Collieries have had their current-quarter production quota considerably enlarged. The Economist index of business activity rose only one-half point during May and has not yet touched its 1937 peak; but it has a number of relatively insensitive components. Almost the only decidedly un-

favorable developments in the United Kingdom at the present time are the downward trend in residential construction and the continued large foreign-trade deficit. Although exports showed a surprising increase during May (due to a revival of piece-goods exports to Empire countries and a strong foreign demand for coal), imports rose by a greater amount. This situation may be aggravated by increases in prices of some imported commodities and by the heavy movement of agricultural imports which regularly occurs in the autumn.

The index of industrial production in France during April reached its highest level since May 1931. It stood about 15 percent higher than during April last year. The number of unemployed decreased 6 percent from April 1 to June 3. Although the improvement is based largely on Government expenditures and still falls far short of being a substantial business recovery, the prospects for such a recovery are the best since the depression. Investment in private bond issues rose markedly during May. Exports are increasing gradually and gold repatriations under the present Government are said to have reached 20 billion francs. General confidence has been further evidenced by a steady rise of the stock market and an enthusiastic response to a 6-billion-franc Government loan floated in May.

Industrial production in a number of other European countries has been improving. The new Dutch index shows May above any other month since last October. The Belgian index for April has recovered about half of the ground lost since last November. The Swedish and Danish indexes for April continued to rise.

Canadian economic conditions showed a marked and widespread improvement during May. A rise was reported in all industrial groups except leather and textiles; among those showing the most marked expansion were lumber, newsprint, and iron and steel. Employment on June 1 stood at the highest level since February 1938.

The business situation in Japan is dominated by the fear of further increases in the already rather detailed Government control of industry and shipping. Such control will doubtless continue to be used for the purpose of encouraging exports and restricting domestic consumption. It is impossible to predict what will be the net effect on the demand for agricultural imports. Other factors in the situation during May and early June were relatively unfavorable. Imports available for private consumption were further restricted as the military forces continued their efforts to keep down the cost of their purchases. Large grain crops were forecast. The buying of American cotton was dull, and yarn and textile stocks continued high although the outlook for yarn and textile exports seems to have improved slightly. The balance of trade with foreign countries was increasingly adverse.

Business conditions in most of the raw-material countries continue to be poor; but several of these countries have greatly improved their foreign trade balances in recent months. This fact, together with a slight strengthening of commodity prices, probably forecasts some recovery during the next few months.

WHOLESALE PRICES

The moderate decline since March in the general level of wholesale prices apparently has been halted. But any general price advance which might occur before 1940 is expected to be very moderate, and to affect only some commodities. Wholesale prices of farm products and foods have risen somewhat since mid-June; marked changes, however, are in prospect.

Evidence of a general strengthening of commodity prices is still lacking in spite of the improved demand conditions of recent weeks. The general level of wholesale prices in June and early July, at 75-1/2 percent of the 1926 level, was slightly below the average for April and May. The current level is equivalent to 110 percent of the pre-war average, and is the lowest since August 1934.

Improved industrial production does not necessarily bring about a rise in the general level of wholesale commodity prices. From 1924 to 1929, while industrial production was expanding, wholesale prices at first rose a little, then declined some 12 points (in terms of pre-war) between 1925 and 1929. Increased industrial production when accompanied by substantial purchases for inventory accumulation, however, may result in sharply higher prices for some commodities. The price strengthening of 1936 and 1937 is attributed in part to these influences - in part, also, to other factors not now present. It is unlikely that similar conditions leading to speculative industrial buying will prevail this year.

Prices of raw materials have fluctuated within a narrow range in recent weeks. The low inventories and improved industrial production are reflected in some increased demand for a number of industrial raw materials, such as copper, zinc, lead, rubber, and hides. The Annalist index of cyclical raw-material prices (which includes steel scrap, zinc, lead, hides, cotton, rubber, copper, and lumber) has maintained the moderate pick-up gained in early May. On the other hand, several more comprehensive price series of sensitive commodities, which include grain and other farm products, do not share these upturns.

The ratio of wholesale prices of farm products to nonagricultural products for the week ended July 8 was 78 percent of the pre-war level, compared with 76 a month earlier and 82 for the corresponding week a year earlier.

The combined index of wholesale prices in 9 foreign countries that have a considerable influence on the foreign demand for our farm products rose in May to 87 percent of the 1924-29 average, after remaining stable for 7 months at 86 percent of this level. The present rise reflects higher prices in England and Canada, as well as the usual upward trends in Japan, France, and Italy.

PRICES RECEIVED AND PAID BY FARMERS

Market prices indicate that the general level of prices received by farmers in mid-July is a little higher than in mid-June. Moderate gains in prices of most meat animals and eggs, and sharply increased prices of potatoes and tobacco, have more than offset declines in prices of grains (particularly wheat), fruit, and chickens.

The general level of prices received by farmers in mid-June was 89 percent of the pre-war average, compared with 90 in May and 92 in June 1938. The slight drop in the general level from May to June reflected a 5-point decline in prices of meat animals, and a smaller downturn in prices of chickens and eggs; prices of most other groups rose slightly.

The preliminary estimate of prices paid by farmers for commodities in June advanced to 121 percent of the 1910-14 average, compared with 120 in May and 124 in June 1938. The June index of prices paid by farmers for feed was 92 percent of the 1910-14 average, compared with 89 in March and 93 in June 1938. The ratio of prices received to prices paid by farmers in June, at 74 percent of the pre-war level, was 1 point below the May ratio, reflecting both the lower prices received and the higher prices paid by farmers for commodities.

FARM INCOME

Farmers' income from marketings declined more than seasonally from May to June, due largely to the decline in prices of meat animals and poultry products. New wheat began to move to market in June but lower prices resulted in smaller income than for a year earlier. Government payments to farmers this June were considerably smaller than in May and only slightly larger than the total for June 1938. Income including Government payments in June was much smaller than in May and was below a year earlier.

With a stable demand for farm products in prospect, the income from fruits and vegetables, dairy products, and other commodities entering directly into consumption is likely to make about the usual seasonal changes in the next few months. Because of unusually low levels of marketings of wheat and cotton in recent months, the increased income from these commodities, as the 1939 crops begin to move to market, should result in more than the usual seasonal increase in income from these products during the summer and fall months.

WHEAT

World wheat supplies for the year beginning July 1 are now expected to be larger than a year earlier. If demand is not materially different from that of last year increased supplies might be expected to result in world prices lower than were received for the 1938 crop. Domestic supplies, however, are expected to be smaller, and with a higher Federal loan rate on wheat and continuation of the export-aid program, domestic wheat prices for the 1939 crop may average higher above world prices than for the 1938 crop.

It now appears that world wheat supplies are likely to be about 185 million bushels more than the record supplies of last year. World stocks*

* Excludes Soviet Russia and China.

of old wheat July 1 may be about double those of a year earlier, when they were about 600 million bushels. World production* is tentatively placed at about 4,140 million bushels, which is about 415 million bushels less than the all-time record of 4,555 million bushels produced in 1938. Production in the Northern Hemisphere may be about 350 million bushels less than a year ago. If growing conditions in the Southern Hemisphere countries are about average for the remainder of the season production in these countries would be expected to be about 65 million bushels less than last year.

A United States wheat crop of 717 million bushels was indicated by July 1 conditions. This is 214 million bushels less than the relatively large crop of 931 million bushels harvested in 1938, and 36 million bushels less than the 10-year (1928-37) average of 753 million bushels. The July 1 indication for winter wheat was 538 million bushels which is an increase of 15 million bushels compared with the indication a month earlier. The first official indication for all spring wheat, as of July 1, was 179 million bushels. A total crop of 717 million bushels is about 15 million bushels larger than the average domestic disappearance during the past 2 years and about 30 million bushels larger than the 10-year (1928-37) average. If exports should turn out to be near the 10-year (1928-39) average of 70 million bushels, a crop of this size would reduce the carry-over on July 1, 1940 significantly below that for 1939 when it was estimated at about 265 million bushels.

FLAXSEED

The price of No. 1 flaxseed at Minneapolis declined from \$2.01 per bushel early in January to \$1.71 for the week ended July 8. In this same period the price of flaxseed at Buenos Aires advanced from \$1.08 to \$1.18 per bushel, reducing the margin from 93 to 53 cents per bushel, which is the lowest margin between these prices since May 1936. The United States import duty on flaxseed is 65 cents per bushel. With a much larger domestic supply of flaxseed in prospect for 1939-40 the margin between domestic and foreign flaxseed prices will probably continue substantially smaller during 1939-40 than for 1938-39.

The 1939 flaxseed crop was indicated on July¹ at 15,398,000 bushels, or 88 percent larger than production last year and the largest crop since 1930. The indicated acreage for harvest in 1939 is about equal to the 1928-37 average, and more than double the small 1938 acreage. This sharp increase in acreage is largely the result of the comparatively favorable returns from the 1938 crop together with the influence of provisions in the Agricultural Adjustment Act which favor flaxseed production.

Imports of flaxseed in May totaled about 1.2 million bushels, the smallest monthly import since July 1938. Total imports of flaxseed during 1938-39 were around 18 million bushels or about the same as in 1937-38. Imports in 1939-40 will probably be somewhat smaller than in the past 2 years unless there is a substantial increase in domestic requirements.

The seasonally adjusted index of the value of building contracts awarded declined from 86 percent of the 1923-25 average in January to 61 percent in May. For the first 5 months of 1939 this index has been at the highest level for this period of any year since 1931.

* Excludes Soviet Russia and China.

COTTON

Prices of spot cotton in domestic markets showed little net change during the past month and remained at approximately the highest levels in nearly 2 years. Domestic mill activity continued relatively high in June but may decline more than seasonally this summer. Foreign mill activity was also well maintained in June. Despite record high total domestic stocks, "free" stocks of American cotton were the lowest in 14 years. The 1939 United States cotton acreage is again the smallest for about 4 decades.

The world carry-over of American cotton at the end of July will probably exceed the record high stocks of July last year by about $\frac{1}{2}$ million bales, but stocks of other cotton should decline by a slightly greater amount. The total seems likely to be a little less than last year's record high of 22,600,000 bales. This year, however, United States Government-loan stocks will be equivalent to about half of the total world carry-over of all cotton and to three-fourths of the world carry-over of American cotton. Despite record high domestic stocks of all cotton, stocks of "free" American cotton in the United States as of the end of June this year, of about 2,400,000 bales, were less than half as large as a year earlier and the second smallest since 1925.

These relatively small "free" domestic stocks, together with prospects for an export subsidy, have been important domestic price-strengthening factors during the last 2 or 3 months. The 10-market average price of Middling 7/8 inch, in the 2nd week of July, of approximately $9\frac{1}{2}$ cents, was about 1 cent above the April average, $\frac{3}{4}$ cent higher than a year earlier, and at approximately the highest level in nearly 2 years. Spot prices of American cotton are apparently discounting, at least to some extent, the prospective export subsidy, with prices at Liverpool unusually low relative to domestic prices. Nevertheless, prices of American cotton in foreign markets continue unusually high in relation to most foreign growths.

Domestic mills consumed nearly $1\frac{1}{3}$ more cotton in June than in June last year, with the total for the 11 months, of 6,334,000 bales, the second largest in 10 years. As a result of the curtailment agreement of print cloth manufacturers, mill activity this summer may decline more than seasonally. Exports and foreign consumption of American cotton both continue exceptionally low, but foreign consumption is being maintained at a relatively higher level than exports, with stocks of American cotton abroad the lowest in at least 15 years.

CORN AND OTHER FEED GRAINS

Cash prices of corn, oats, and barley declined slightly during late June and early July, in response to more favorable prospects for the 1939 corn crop and improvement in the condition of pastures and small grain crops. Oats prices are now high relative to corn and barley prices and the relatively small 1939 oats crop will tend to maintain this relationship during the 1939-40 marketing year. Despite the prospects for a larger corn supply than in 1938-39, corn prices may continue to be supported by a corn loan in 1939-40. The possible loan rate on 1939 corn will depend on the outcome of the 1939 crop and the estimated "normal domestic consumption and exports" for 1939-40.

The total production of corn, oats, and barley in 1939 on the basis of July 1 indications will approximate 92 million tons. The total production of these three grains last year was 94 million tons. During the period 1928-32 the average production was 98 million tons. The total supply of these three feed grains including the large carry-over of corn in prospect for 1939-40, however, may be somewhat larger than the 1938-39 supply.

On July 1 total stocks of corn totaled 868 million bushels, which was about 200 million bushels larger than on that date a year ago. The disappearance of corn during the period April - June this year was 380 million bushels compared with 448 million bushels in the corresponding period last year. The smaller disappearance of corn this year as compared with 1938 was due largely to smaller exports. If disappearance of corn during the period July - September is not substantially larger than in this period last year the carry-over at the end of the marketing year will be much larger than in any of the past 10 years.

Total exports of corn have been averaging much smaller during the spring and summer of 1939 than in the same period last year. Although the Argentine crop harvested this spring was again small, demand from Europe was less favorable and United States exports during the period April - June were only 3 million bushels as compared with 59 million bushels in this period last year.

HOGS

The increase in the 1939 spring pig crop and the prospective increase in the 1939 fall pig crop indicate that supplies of hogs in the 1939-40 marketing year, beginning October 1, will be materially larger than in the present marketing year. Inspected hog slaughter in 1939-40 may be from 15 to 20 percent larger than in 1938-39.

The 1939 spring pig crop is estimated to be about 52.3 million head, or nearly 8.9 million head larger than the 1938 spring crop. The number of sows to farrow in the fall season of 1939 is indicated to be about 16 percent more than the number farrowed last fall, on the basis of breeding intentions reported about June 1. If it is assumed that the number of sows farrowed this fall will be about as indicated, and number of fall pigs saved per litter about equal to the 1928-37 average the combined spring and fall pig crop this year would total about 83 million head. This would be about 17 percent greater than the total 1938 crop. It would be the third largest crop since 1923.

The increase in hog production in 1939 brings the total number of pigs raised in the whole country back to the level prevailing in the 5 years, 1929-33, before hog production was sharply curtailed by the 1934 drought. But in the coming year conditions may not be so favorable for expanding hog production as they have been in the past 2 years. Although feed supplies in 1939-40 will be abundant, the supply of feed per animal will not be so large as in 1938-39. This, together with the possibility of a corn loan at about the same rate as this year and the prospects for increased hog marketings, indicates that the hog-corn price ratio

in 1939-40 will be less favorable for expanding hog production than it has been during the past year.

After declining to the lowest level in nearly 5 years, hog prices advanced fairly sharply in late June and early July. The average price of butcher hogs at Chicago for the week ended July 1 was \$7.05 compared with \$6.35 for the week ended June 17. Inspected hog slaughter in June totaled 3,185,000 head, which was 7 percent smaller than in May but about 25 percent greater than in June last year. Most of the decrease in slaughter in June from that of May was in the last half of the month.

BEEF CATTLE

Some further increase in marketings of grain-fed cattle is expected during the next 2 months. Marketings of other grades of slaughter cattle probably will increase seasonally through October. Although supplies of grain-fed cattle are likely to be somewhat larger than last year during the remainder of 1939, marketings of cows and heifers and lower-grade steers probably will continue smaller than a year ago. The spring drought in most of the Western States was broken by abundant rains in June, and the tendency for producers to withhold breeding stock for increasing herds is again in evidence.

Prices of most grades of slaughter cattle declined from April through early June, with the sharpest declines occurring in prices of the better grades. Prices of choice and prime grade slaughter steers at Chicago declined more than \$2 during this period. This decline was partly seasonal, however, and apparently was ended in late June and early July when a slight upturn in prices of such cattle occurred. For the week ended July 8, the average price of good grade steers at Chicago was \$9.40 per 100 pounds, slightly higher than a month earlier, but about \$1.10 lower than in early April and somewhat lower than a year earlier. Prices of stocker and feeder steers declined fairly sharply beginning in late May, but in early July were still about 30 cents higher than a year earlier.

The number of cattle slaughtered under Federal inspection in June totaled 778,000 head, 4 percent less than in May, and 5 percent less than in June 1938. For the first 6 months of 1939, inspected cattle slaughter was 5 percent smaller than in the corresponding period of 1938, while inspected calf slaughter was 4 percent smaller. The average live weight of cattle slaughtered, however, was about 2 percent greater than a year earlier, reflecting improved finish resulting from more liberal grain feeding.

LAMBS

The slaughter supply of sheep and lambs during the remainder of the grass lamb marketing season, up to December 1, may not be much different from that of a year earlier. Conditions during June improved in some of the important late lamb producing States, notably Montana and Wyoming. In Colorado and New Mexico range and pastures were short after 3 months or more of dry weather. Severe drought conditions continued in the main sheep area of Texas during June.

Prices of lambs rose moderately in late June and were about steady in early July, after some weakness during the first half of June. The average price of good and choice spring lambs at Chicago for the week ended July 1 was about \$10.20. For the week ended June 10 it was \$9.75 and for the last week of May \$10.25. As a result of smaller slaughter supplies and the stronger consumer demand for meats, prices of lambs thus far in the new crop season, which began May 1, have averaged from \$1 to \$2 higher than a year earlier.

Inspected slaughter of sheep and lambs in June totaled 1,401,000 head, slightly larger than in May, but about 6 percent smaller than in June last year. The market movement of spring lambs from the Southeastern States got underway in volume during June, and marketings of Idaho lambs were fairly large. Supplies of yearlings from Texas increased seasonally during the month, and a considerable number of California spring lambs were marketed from feed lots.

WOOL

Prices of wool in the United States held about steady in June and the early part of July after rising moderately in May. Mixed lots of 3/8 and 1/4 blood fleece wools available for immediate shipment were sold in the first week of July for 29.5 to 31 cents a pound, grease basis, delivered to eastern markets, compared with 31 cents a month earlier and 27 cents a year earlier. Sales of wool at Boston in the last month were much smaller than in the previous month.

Domestic supplies of raw wool continue to be smaller than a year earlier. The carry-over of wool into the 1939 season was much smaller than in 1938. Imports of wool thus far in 1939 have been larger than in the same months of 1938, but mill consumption of wool also has been considerably larger. Prospects are for a fairly high level of domestic mill consumption in the next few months, but perhaps not at so high a rate as in the first quarter of 1939.

The weekly rate of mill consumption of apparel wool in the United States in May was almost 30 percent higher than in April but was slightly below the first quarter of the year. Consumption on a scoured basis in the first 5 months of this year was 80 percent larger than in the same months last year but smaller than in the like period in 1935-37. Mill orders for fabrics for the fall season continue much larger than a year earlier.

The carry-over of wool into the 1939-40 season will be small in the Southern Hemisphere but stocks are fairly large in importing countries. However, mill activity has increased in European countries and the United Kingdom. Australian wool production for the season beginning July 1, 1939 is expected to be about 980 million pounds, grease equivalent. This is an increase of 4 percent over the estimate for 1938-39 but is slightly smaller than the average production for the 5 preceding seasons. The estimated increase in production over last year is expected to be more than offset by the decrease in the carry-over, and available supplies for the 1939-40 season in Australia may be slightly smaller than for the season just closed. Australia produces about one-half of the wool clip of the Southern Hemisphere.

BUTTER

Butter prices rose about 2 cents from early April to mid-June, but since then have declined about a cent. The improvement in prices was due in large part to a relatively high level of consumption compared with production. The improvement in pastures, and prospects for somewhat higher production that appeared probable earlier in the season, has tended to depress prices in the last 2 or 3 weeks.

Production of creamery butter in recent months has been somewhat less than the high production of a year earlier but except for 1938, the highest on record. The condition of pastures is below average, but there has been marked improvement in the past month. Supplies of feed grains are above average, and butterfat prices are about average in relation to feeds. It seems probable that during the remainder of the summer, butter production will continue high in relation to the same months of earlier years.

While production of butter has been somewhat less than in 1938, consumption has been higher. In May consumption was 9 percent higher than in May 1938, and the highest on record for the month. As in preceding months the increase has been due in large part to the distribution of butter for relief. In May the trade output through regular commercial channels was only 3 percent higher than in May 1938. Retail prices for butter in May were 10 percent less than a year earlier. Estimated consumer expenditures for butter in May were about 7 percent less than a year earlier, but after allowing for seasonal changes were 4 percent higher than in April.

The net into-storage movement of butter has been decidedly less than in 1938 and while stocks are relatively large they are much more nearly normal than in the winter and spring.

Total holdings of butter by governmental agencies, which amounted to 111 million pounds on November 1, were down to about 39 million pounds on July 1. At the current rate of relief distribution these supplies would last about 3 months. The agricultural appropriation bill passed recently provided funds for removal of surplus dairy products, and distribution for relief for 1939-40. No purchase plans, however, have been announced.

POULTRY AND EGGS

The poultry and egg situation showed little improvement during the past month. Farm prices of chickens and eggs on June 15 were the lowest for the month since 1934. The lower prices this year than last reflect chiefly larger seasonal marketings of chickens and eggs and larger storage stocks of these products. The feed-egg ratio, based on Chicago prices, continues much less favorable for farmers than a year earlier, and is about the same as the 1928-37 average.

The number of young chickens in farm flocks on July 1 was 2.6 percent larger than on that date in 1938. On the basis of past relationships between changes in numbers of hens in farm flocks on January 1 and changes in numbers of chickens the preceding July 1, the size of laying flocks on January 1, 1940 may be little if any larger than on the same date in 1939.

Preliminary indications point to a substantial increase in turkey numbers of perhaps 30 percent above last year. This increase refers largely to small farm flocks. It does not include large commercial flocks.

Because of the larger number of hens, chicks and poults on farms compared with last year, market receipts of poultry will probably continue larger during the remainder of 1939 than in the same months of 1938.

The farm price of both chickens and eggs declined more than the usual seasonal amount between May 15 and June 15. The mid-June price for chickens of 13.4 cents per pound was more than 2 cents below last year and nearly 3 cents below the 1928-37 average. The June 15 price for eggs of 14.9 cents per dozen was over 3 cents below prices on that date in 1938 and $2\frac{1}{2}$ cents below the 10-year average.

FRUITS

Market prices of most fruit crops declined slightly from early June to early July under pressure of heavy marketings and the prospect of larger than average production this season. Because of the improved demand this season over last, prices of early peaches and early apples have averaged higher than a year earlier. Prices of most other fruits average lower than last year, because of increased supplies which more than offset the improvement in demand.

Production of apples in commercial areas is indicated to be about one-fifth larger than in 1938 and larger than the 10-year average crop. Although the early peach crop is about the same as last year the late Northern crop is increased 40 percent and the California crop is up 17 percent. The crops of red sour cherries, apricots, plums and fresh prunes are relatively large this season. Production of pears and grapes is indicated to be slightly smaller than in 1938 but substantially larger than the average production for the last 10 years.

Supplies of Valencia oranges in California available for summer and early fall marketings are somewhat smaller than last year but considerably above average. Condition as of July 1, indicates that the winter supplies of citrus fruits probably will be well above average but not so large as last season.

POTATOES

Market prices of potatoes rose sharply in the last week of June and the first week of July, reflecting curtailed marketings and deterioration in the prospect for the intermediate crop. At New York City potato prices rose from an average of \$1.50 per 100 pound sack in mid-June to \$2.15 in early July. They averaged \$1.80 in early June and \$1.04 in early July, 1938. At Chicago the rise was from an average of \$1.70 to \$2.17. A month ago prices averaged \$2.03 and a year ago \$1.32 per 100 pound sack.

Production of potatoes in the commercial areas of the intermediate States is indicated to total 16.4 million bushels this season or 24 percent less than last year. The reduction in the crop this season is due entirely to unusually low yields per acre since the acreage for harvest is increased slightly. Marketing of this short crop is getting well underway and follows rather heavy marketings of early and second early States in June.

Production of potatoes in the late northern States (excluding California early crop) is indicated to total 291 million bushels this season or about 4 million bushels more than the 1938 crop but about 9 million below the 10-year average crop. As compared with last year an increased production in the 8 eastern late States more than offset slight decreases in the central and western groups of States. Although scattered shipments from some of the late States have already begun to move to market, the bulk of the late crop will not begin to move until September.

TRUCK CROPS

Market prices of truck crops in early July were generally lower than a month earlier, but they averaged about the same as a year earlier. Recent declines were largely due to seasonal factors. Prices of asparagus, snap beans, cantaloups, carrots, lettuce, onions, peas, and watermelons, averaged somewhat lower than a year earlier but prices of lima beans, cabbage, celery, cucumbers, eggplant, peppers, and tomatoes were substantially higher.

Owing to beneficial rains during late June in many of the eastern and mid-western intermediate and late States, prospects for most commercial truck crops have improved over those of a month ago. Yields of many of the crops now being harvested are averaging below the 1938 levels, however, and production generally is expected to be somewhat smaller than last year despite slightly expanded acreage. Decreases from a year earlier in the summer crops of snap beans, beets, cabbage, cantaloups, carrots, eggplant, lettuce, onions, spinach and watermelons are partly offset by increases in lima beans, celery, cucumbers, green peas, and green peppers.

Continued -

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (Monthly adjusted for seasonal variation). Comprised the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1938
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.